

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of XO Network                    ) Application No. C-3245  
Services, Inc., Reston,                        )  
Virginia, seeking approval of                )  
its request for an internal                    ) GRANTED  
corporate reorganization whereby            )  
it will be merged into XO                     )  
Communications Services, Inc.,               )  
Reston, Virginia.                             ) Entered: September 8, 2004

BY THE COMMISSION:

On July 29, 2004, XO Network Services, Inc. (XO Network) of Reston, Virginia and XO Communications Services, Inc. (XO Communications) of Reston, Virginia (collectively Applicants or XO Subsidiaries) filed a joint application for authority for an internal corporate reorganization whereby XO Network will be merged into XO Communications. Notice of the application was published in The Daily Record, Omaha, Nebraska, on August 8, 2004. No protests or formal interventions were filed; therefore, this application is processed pursuant to the Commission's Rule of Modified Procedure under Rule 18.03 of the Nebraska Administrative Code.

O P I N I O N     A N D     F I N D I N G S

XO Network, incorporated under the laws of Washington, and XO Communications, incorporated under the laws of Delaware are both wholly-owned subsidiaries of XO Communications, Inc. (XO) a publicly-held Delaware corporation, all with principal offices located in Reston, Virginia. XO Network currently holds Certificates of Public Convenience and Necessity from this Commission to provide interexchange and competitive resold and facilities-based local exchange services.

XO Network, f/k/a NEXTLINK Long Distance Services, Inc., and XO Long Distance Services, Inc., was authorized by this Commission to operate as a resale carrier of interexchange telecommunications services in Nebraska on December 7, 1999, pursuant to Application No. C-2147. Subsequently, on November 25, 2003, pursuant to Application No. C-3035, this Commission authorized XO Network an expansion of authority to include competitive resold and facilities-based local exchange services in the US West/Qwest service area.

XO and the Applicants intend to reorganize internally to simplify the XO corporate structure, streamlining XO's operations in Nebraska, eliminating administrative redundancy and improving overall efficiency. The reorganization and consolidation of the XO Subsidiaries into a single operating entity, XO Communications, is anticipated to occur via a number of mergers. The Applicants propose to transfer XO Network's intrastate customer base, tariff and authority to provide telecommunications services to XO Communications through a merger of XO Network into XO Communications. After the merger, XO Network will cease to exist by operation of law, and XO Communications will assume all of XO Network's assets and operations and will provide telecommunications services to XO Network's customers pursuant to XO Network's tariff, amended with the new name XO Communications.

XO Communications is backed by the same qualifications as XO Network and will provide the same high quality services to its customers because the same team of experienced telecommunications personnel manages them. The proposed transfer of operating authority will be virtually transparent to consumers in Nebraska. XO will remain the parent corporation, and the name that customers see on their telecommunication invoice will remain XO.

At the time of their application, XO Communications was not authorized by the Secretary of State of Nebraska to operate. However, the authorization was granted by the Secretary of State on August 13, 2004.

Based on the evidence, we find the application to be fair and reasonable and in the public interest. The application should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-3245 be, and it is hereby, granted.

IT IS FURTHER ORDERED that the applicant shall file, in accordance with the applicable statutes on or before April 30th of each year, an annual report with this Commission consisting of: (a) a copy of any report filed with the Federal Communications Commission, (b) a copy of any annual report to stockholders and (c) a copy of the latest Form 10-K filed with the Securities and Exchange Commission. If these are not available, applicant shall submit a balance sheet and income statement for the previous year of operation, as well as the

investment made in telephone plant and equipment located within the state, accumulated depreciation thereon, operating revenues and expenses, and taxes.

IT IS FURTHER ORDERED that, to the extent applicable, the applicant shall comply with all laws pertaining to, and all rules and regulations promulgated under, the Telecommunications Relay System Act (Neb. Rev. Stat. §§ 86-301 to 86-315) and the Nebraska Telecommunications Universal Service Fund Act (Neb. Rev. Stat. §§ 86-316 to 86-329).

IT IS FURTHER ORDERED that applicant file its current tariff prior to offering service pursuant to the certificate granted in this order.

IT IS FINALLY ORDERED that this order be, and it is hereby made, the Commission's official certificate of authority to furnish the service authorized herein as a common carrier.

MADE AND ENTERED at Lincoln, Nebraska this 8th day of September, 2004.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director